

# **TRANSPORTATION REPORT**

From: Terry Whiteside

To: Montana Wheat & Barley Committee

Date: February 10, 2011



## **Surface Transportation Board - Initiates an Ex Parte Proceeding on Rail Competition (Ex Parte No. 705)**

The Surface Transportation Board announced January 11th that it would hold a public hearing on May 3 to explore the current state of competition in the railroad industry and possible policy initiatives to promote more rail-to-rail competition. They have since moved the hearing date to June 22nd at the request of the railroads.

Background: In Chairman Rockefeller's September, 2010 hearing on railroads and the Senate Commerce Committee's bill S2889, the Chairman urged STB Chairman Elliot in otherwise strong suggested that there were many items in S2889 that could be done by the STB without legislation.

In opening this proceeding it was not surprising then Board Chairman Daniel R. Elliott III stated, "I said last year that it was time for the Board to revisit the current rail regulatory framework and that is what we are doing. We need to strike a balance between providing access to competitive rail transportation for shippers while maintaining the rail industry's impressive economic renaissance."

The hearing will begin at 9:30 a.m., in the Surface Transportation Board Hearing Room, at 395 E Street, SW in Washington. Written comments are due by April 12th, and replies are due by May 27th. Parties wishing to speak at the hearing must file a notice of intent to participate and written testimony by June 10th.

As reported in the last Transportation Report dated January 28, 2011, Chairman Mica of the House Transportation & Infrastructure hearing fired off a letter dated January 24 to the STB even before the STB has finalized the dates of the hearing in Ex Parte 705 stating that the leadership of the House Transportation and Infrastructure Committee will oppose regulatory efforts intended to inject more competition into the freight rail industry, putting them at odds with their Senate counterparts. This is odd maneuvering by the railroads and the House T&I committee and considering that the House T&I has not taken up any railroad legislation or STB oversight during the last two year, seems by transportation professionals impulsive and premature.

At issue is a long-simmering fight over whether railroads are price-gouging some of their customers, particularly agriculture, chemical and power companies and other heavy industries whose plants, states or regions are served by just one railroad. Railroads counter that these shippers have other options, and argue that more regulations would be too costly to their industry.

One of the charges of the National Transportation Policy under which the STB must operate is that, increased rail-to-rail competition was called for by Congress in the Staggers Rail Act. In Title 49, Subtitle IV, Part A, Chapter 101: Section 10101. - Rail transportation policy the word 'competition' (emphasis added) is utilized in four of the fifteen parts.

1. to allow, to the maximum extent possible, **competition** and the demand for services to establish reasonable rates for transportation by rail;
4. to ensure the development and continuation of a sound rail transportation system with **effective competition** among rail carriers and with other modes, to meet the needs of the public and the national defense;

5. to foster sound economic conditions in transportation and to ensure effective **competition** and coordination between rail carriers and other modes;
6. to maintain reasonable rates where there is an **absence of effective competition** and where rail rates provide revenues which exceed the amount necessary to maintain the rail system and to attract capital
- 7.

Of particular concern to agricultural producers, is that the House T&I seems to be suggesting that the STB NOT follow the law in this instance. The STB in STB EX PARTE NO. 575 Review of Rail Access and Competition Issues Renewed Petition of the Western Coal Traffic League in July of 2006 reviewed Rail Competition issues - wholly within its purview and area of responsibility.

This proceeding appears to be a major proceeding which the railroads don't want to go forward. Given that in all likelihood, the replacement Board members for Chuck Nottingham, Ann Begeman, will probably be approved by the Senate and seated at the STB, and that may portend why the railroads are pushing the House T&I to have the STB limit its inquiry.

## **BNSF REBASES MONTANA GRAIN RATES FROM \$1.25 TO \$2.50 EFFECTIVE MARCH 1, BUT ALSO USES CHANGE TO INCREASE AND DECREASE RATES AND RATE SPREADS THROUGHOUT THE STATE**

On January 1st, BNSF adjusted Montana wheat rates by increasing Shuttle rates by \$98/car, and reducing 48 car by \$54/car, and increasing 1-23 and 24-47 car rates by \$150/car. Again the criticism of this action against the less than shuttle loaders was heard by BNSF from Montana producers.

On March 1st, the BNSF "rebased" their rates from \$1.25/gallon fuel to \$2.50/gallon. What this means is the BNSF moved the difference in the fuel adjustment to a strike price of \$2.50/gallon (Highway diesel price) and took the difference between \$1.25 to \$2.50/gallon and

put it in the base rate. The effect of this would not normally change the overall total rate (base rate + fuel surcharge) because the increased base rate would occur because of added fuel from the adjustment change.

However, the BNSF did adjust rates - taking another increase of \$45-\$65/car on shuttles and increasing 48 cars by \$55 to over \$70/car all-the-while decreasing the 24-47 and 1-23 cars by \$80-\$115+/car.

For those of you who watch their freight rates, they are available on the MWBC web site <http://wbc.agr.mt.gov/> (10 years+) for your review. One may notice that the reduction given 48 car rates in January, 2011 have now been increased on March 1, by more than they were reduced in January.

Export with fuel		Shuttle			48 Car			24-47 car			1-23 car		
		Feb-11	Mar-11	Difference	Feb-11	Mar-11	Difference	Feb-11	Mar-11	Difference	Feb-11	Mar-11	Difference
BAINVILLE*													
BAKER					\$ 4,557.50	\$ 4,631.91	\$ 74.41	\$5,061.50	\$ 4,980.91	\$ (80.59)	\$ 5,111.50	\$ 5,030.91	\$ (80.59)
BELGRADE					\$ 3,281.50	\$ 3,338.91	\$ 57.41	\$3,785.50	\$ 3,687.91	\$ (97.59)	\$ 3,835.50	\$ 3,737.91	\$ (97.59)
BIG SANDY					\$ 3,883.50	\$ 3,942.49	\$ 58.99	\$4,387.50	\$ 4,291.49	\$ (96.01)	\$ 4,437.50	\$ 4,341.49	\$ (96.01)
BIG TIMBER					\$ 3,388.00	\$ 3,447.78	\$ 59.78	\$3,892.00	\$ 3,796.78	\$ (95.22)	\$ 3,942.00	\$ 3,846.78	\$ (95.22)
BILLINGS		\$ 3,501.00	\$ 3,557.64	\$ 56.64	\$ 3,768.00	\$ 3,831.64	\$ 63.64	\$4,272.00	\$ 4,180.64	\$ (91.36)	\$ 4,322.00	\$ 4,230.64	\$ (91.36)
BOX ELDER*													
BOZEMAN								\$3,800.50	\$ 3,703.21	\$ (97.29)	\$ 3,850.50	\$ 3,753.21	\$ (97.29)
BRADY*													
BROADVIEW*													
BROCKTON *													
CARTER		\$ 3,443.00	\$ 3,495.42	\$ 52.42	\$ 3,710.00	\$ 3,768.42	\$ 58.42	\$4,214.00	\$ 4,117.42	\$ (96.58)	\$ 4,264.00	\$ 4,167.42	\$ (96.58)
CHARLO								\$3,251.00	\$ 3,141.50	\$ (109.50)	\$ 3,301.00	\$ 3,191.50	\$ (109.50)
CHESTER*													
CHINOOK*													
CHOTEAU					\$ 3,653.00	\$ 3,711.36	\$ 58.36	\$4,157.00	\$ 4,059.36	\$ (97.64)	\$ 4,207.00	\$ 4,109.36	\$ (97.64)
CIRCLE*													
CLARKSTON								\$3,736.50	\$ 3,637.47	\$ (99.03)	\$ 3,786.50	\$ 3,687.47	\$ (99.03)
COLLINS		\$ 3,346.00	\$ 3,395.32	\$ 49.32	\$ 3,629.00	\$ 3,685.32	\$ 56.32	\$4,133.00	\$ 4,033.32	\$ (99.68)	\$ 4,183.00	\$ 4,083.32	\$ (99.68)
COLUMBUS								\$4,069.00	\$ 3,975.98	\$ (93.02)	\$ 4,119.00	\$ 4,025.98	\$ (93.02)
CONRAD					\$ 3,617.50	\$ 3,672.03	\$ 54.53	\$4,121.50	\$ 4,021.03	\$ (100.47)	\$ 4,171.50	\$ 4,071.03	\$ (100.47)
CULBERTSON								\$5,053.00	\$ 4,966.32	\$ (86.68)	\$ 5,103.00	\$ 5,016.32	\$ (86.68)
CUT BANK					\$ 3,488.50	\$ 3,541.15	\$ 52.65	\$3,992.50	\$ 3,890.15	\$ (102.35)	\$ 4,042.50	\$ 3,940.15	\$ (102.35)
DANVERS					\$ 3,755.50	\$ 3,816.99	\$ 61.49	\$4,257.50	\$ 4,163.99	\$ (93.51)	\$ 4,307.50	\$ 4,213.99	\$ (93.51)
DENTON					\$ 3,755.50	\$ 3,816.99	\$ 61.49	\$4,257.50	\$ 4,163.99	\$ (93.51)	\$ 4,307.50	\$ 4,213.99	\$ (93.51)
DEVON								\$4,153.50	\$ 4,052.27	\$ (101.23)	\$ 4,203.50	\$ 4,102.27	\$ (101.23)
DILLON (UP)								\$4,044.53	\$ 4,071.86	\$ 27.33	\$ 4,044.53	\$ 4,071.86	\$ 27.33
DIXON*													
DUTTON					\$ 3,632.50	\$ 3,688.93	\$ 56.43	\$4,136.50	\$ 4,036.93	\$ (99.57)	\$ 4,186.50	\$ 4,086.93	\$ (99.57)
EAST BRIDGER*													
FAIRFIELD*													
FAIRVIEW *													
FALLON*													
FROID *													
FROMBERG*													
FT BENTON					\$ 3,762.00	\$ 3,821.10	\$ 59.10	\$4,266.00	\$ 4,170.10	\$ (95.90)	\$ 4,316.00	\$ 4,220.10	\$ (95.90)
GERALDINE					\$ 3,783.00	\$ 3,829.64	\$ 46.64	\$4,249.00	\$ 4,176.64	\$ (72.36)	\$ 4,335.00	\$ 4,226.64	\$ (108.36)
GEYSER*													
GILDFORD					\$ 3,664.00	\$ 3,720.38	\$ 56.38	\$4,204.00	\$ 4,069.38	\$ (134.62)	\$ 4,218.00	\$ 4,119.38	\$ (98.62)
GLASGOW					\$ 4,188.00	\$ 4,252.40	\$ 64.40	\$4,692.00	\$ 4,600.40	\$ (91.60)	\$ 4,742.00	\$ 4,650.40	\$ (91.60)
GLENDIVE		\$ 4,401.00	\$ 4,467.70	\$ 66.70	\$ 4,503.00	\$ 4,575.70	\$ 72.70	\$5,007.00	\$ 4,924.70	\$ (82.30)	\$ 5,057.00	\$ 4,974.70	\$ (82.30)
GREAT FALLS		\$ 3,378.50	\$ 3,428.75	\$ 50.25	\$ 3,649.50	\$ 3,706.75	\$ 57.25	\$4,153.50	\$ 4,055.75	\$ (97.75)	\$ 4,203.50	\$ 4,105.75	\$ (97.75)
GROVE		\$ 3,492.00	\$ 3,546.22	\$ 54.22	\$ 3,756.00	\$ 3,817.22	\$ 61.22	\$4,258.00	\$ 4,164.22	\$ (93.78)	\$ 4,308.00	\$ 4,214.22	\$ (93.78)
HAMILTON*													
HARDIN					\$ 3,936.50	\$ 4,002.75	\$ 66.25	\$4,440.50	\$ 4,351.75	\$ (88.75)	\$ 4,490.50	\$ 4,401.75	\$ (88.75)
HARLEM		\$ 3,633.00	\$ 3,686.10	\$ 53.10	\$ 3,845.00	\$ 3,904.10	\$ 59.10	\$4,349.00	\$ 4,253.10	\$ (95.90)	\$ 4,399.00	\$ 4,303.10	\$ (95.90)
HARRISON					\$ 3,243.00	\$ 3,301.36	\$ 58.36	\$3,747.00	\$ 3,649.36	\$ (97.64)	\$ 3,797.00	\$ 3,699.36	\$ (97.64)
HAVRE		\$ 3,517.00	\$ 3,568.28	\$ 51.28	\$ 3,740.00	\$ 3,797.28	\$ 57.28	\$4,244.00	\$ 4,146.28	\$ (97.72)	\$ 4,294.00	\$ 4,196.28	\$ (97.72)
HELENA*													
HINGHAM*													
HINSDALE*													
HUNTLEY*													
ISMAY*													
JOPLIN					\$ 3,738.00	\$ 3,794.32	\$ 56.32	\$4,242.00	\$ 4,142.32	\$ (99.68)	\$ 4,292.00	\$ 4,192.32	\$ (99.68)
KALISPELL					\$ 2,495.50	\$ 2,543.23	\$ 47.73	\$2,999.50	\$ 2,892.23	\$ (107.27)	\$ 3,049.50	\$ 2,942.23	\$ (107.27)
KASA POINT		\$ 4,171.50	\$ 4,231.13	\$ 59.63	\$ 4,305.50	\$ 4,372.13	\$ 66.63	\$4,809.50	\$ 4,720.13	\$ (89.37)	\$ 4,859.50	\$ 4,770.13	\$ (89.37)
KERSHAW					\$ 3,759.50	\$ 3,818.95	\$ 59.45	\$4,263.50	\$ 4,167.95	\$ (95.55)	\$ 4,313.50	\$ 4,217.95	\$ (95.55)
KREMLIN*													
LAUREL					\$ 3,656.00	\$ 3,718.96	\$ 62.96	\$4,160.00	\$ 4,067.96	\$ (92.04)	\$ 4,210.00	\$ 4,117.96	\$ (92.04)
LEDGER*													
LEWISTOWN*													
LINDSAY*													
LIVINGSTON*													
LOGAN*													
LOUISVILLE					\$ 3,208.50	\$ 3,262.43	\$ 53.93	\$3,712.50	\$ 3,611.43	\$ (101.07)	\$ 3,762.50	\$ 3,661.43	\$ (101.07)
LUDINGTON					\$ 4,599.00	\$ 4,668.98	\$ 69.98	\$5,103.00	\$ 5,017.98	\$ (85.02)	\$ 5,153.00	\$ 5,067.98	\$ (85.02)
MACON		\$ 4,182.00	\$ 4,241.82	\$ 59.82	\$ 4,318.00	\$ 4,384.82	\$ 66.82	\$4,822.00	\$ 4,732.82	\$ (89.18)	\$ 4,872.00	\$ 4,782.82	\$ (89.18)
MALTA*													
MANHATTAN					\$ 3,268.00	\$ 3,324.84	\$ 56.84	\$3,772.00	\$ 3,673.84	\$ (98.16)	\$ 3,822.00	\$ 3,723.84	\$ (98.16)
MEDICINE LAKE					\$ 4,612.00	\$ 4,682.90	\$ 70.90	\$5,116.00	\$ 5,030.90	\$ (85.10)	\$ 5,166.00	\$ 5,080.90	\$ (85.10)
MERC					\$ 4,492.00	\$ 4,563.50	\$ 71.50	\$4,996.00	\$ 4,912.50	\$ (83.50)	\$ 5,046.00	\$ 4,962.50	\$ (83.50)
MERIWETHER					\$ 3,435.50	\$ 3,487.55	\$ 52.05	\$3,939.50	\$ 3,835.55	\$ (103.95)	\$ 3,989.50	\$ 3,885.55	\$ (103.95)
MILES CITY					\$ 4,298.50	\$ 4,368.45	\$ 69.95	\$4,802.50	\$ 4,717.45	\$ (85.05)	\$ 4,852.50	\$ 4,767.45	\$ (85.05)
MISSOULA*													
MOCCASIN (BNSF or CMR)					\$ 3,755.50	\$ 3,816.99	\$ 61.49	\$4,257.50	\$ 4,163.99	\$ (93.51)	\$ 4,307.50	\$ 4,213.99	\$ (93.51)
MOORE		\$ 3,530.50	\$ 3,585.59	\$ 55.09	\$ 3,793.50	\$ 3,855.59	\$ 62.09	\$4,297.50	\$ 4,204.59	\$ (92.91)	\$ 4,347.50	\$ 4,254.59	\$ (92.91)
NASHUA*													
PABLO								\$3,257.00	\$ 3,148.26	\$ (108.74)	\$ 3,307.00	\$ 3,198.26	\$ (108.74)
PARADISE								\$3,231.50	\$ 3,120.53	\$ (110.97)	\$ 3,281.50	\$ 3,170.53	\$ (110.97)
PLAINS					\$ 2,724.50	\$ 2,768.15	\$ 43.65	\$3,228.50	\$ 3,117.15	\$ (111.35)	\$ 3,278.50	\$ 3,167.15	\$ (111.35)
PLENTYWOOD								\$5,127.00	\$ 5,042.96	\$ (84.04)	\$ 5,177.00	\$ 5,092.96	\$ (84.04)
POLSON					\$ 2,757.00	\$ 2,804.10	\$ 47.10	\$3,261.00	\$ 3,152.10	\$ (108.90)	\$ 3,311.00	\$ 3,202.10	\$ (108.90)
POPOLE		\$ 3,543.50	\$ 3,601.77	\$ 58.27	\$ 3,808.50	\$ 3,873.77	\$ 65.27	\$4,312.50	\$ 4,221.77	\$ (90.73)	\$ 4,362.50	\$ 4,271.77	\$ (90.73)
POWER & Associates					\$ 4,354.00	\$ 4,421.50	\$ 67.50	\$4,858.00	\$ 4,769.50	\$ (88.50)	\$ 4,908.00	\$ 4,819.50	\$ (88.50)
POWER*													
REDSTONE*													
RESERVE*													
RONAN					\$ 2,750.50	\$ 2,797.11	\$ 46.61	\$3,254.50	\$ 3,145.11	\$ (109.39)	\$ 3,304.50	\$ 3,195.11	\$ (109.39)
RUDYARD		\$ 3,380.00	\$ 3,429.62	\$ 49.62	\$ 3,634.00	\$ 3,690.62	\$ 56.62	\$4,138.00	\$ 4,038.62	\$ (99.38)	\$ 4,188.00	\$ 4,088.62	\$ (99.38)

MOORE		\$3,530.50	\$ 3,585.59	\$ 55.09	\$3,793.50	\$ 3,855.59	\$ 62.09	\$4,297.50	\$ 4,204.59	\$ (92.91)	\$ 4,347.50	\$ 4,254.59	\$ (92.91)
NASHUA*													
PABLO								\$3,257.00	\$ 3,148.26	\$ (108.74)	\$ 3,307.00	\$ 3,198.26	\$ (108.74)
PARADISE								\$3,231.50	\$ 3,120.53	\$ (110.97)	\$ 3,281.50	\$ 3,170.53	\$ (110.97)
PLAINS					\$ 2,724.50	\$ 2,768.15	\$ 43.65	\$3,228.50	\$ 3,117.15	\$ (111.35)	\$ 3,278.50	\$ 3,167.15	\$ (111.35)
PLENTYWOOD								\$5,127.00	\$ 5,042.96	\$ (84.04)	\$ 5,177.00	\$ 5,092.96	\$ (84.04)
POLSON					\$ 2,757.00	\$ 2,804.10	\$ 47.10	\$3,261.00	\$ 3,152.10	\$ (108.90)	\$ 3,311.00	\$ 3,202.10	\$ (108.90)
POMPEY'S PILLAR		\$3,543.50	\$ 3,601.77	\$ 58.27	\$3,808.50	\$ 3,873.77	\$ 65.27	\$4,312.50	\$ 4,221.77	\$ (90.73)	\$ 4,362.50	\$ 4,271.77	\$ (90.73)
POPLAR					\$ 4,354.00	\$ 4,421.50	\$ 67.50	\$4,858.00	\$ 4,769.50	\$ (88.50)	\$ 4,908.00	\$ 4,819.50	\$ (88.50)
POWER*													
REDSTONE*													
RESERVE*													
RONAN					\$ 2,750.50	\$ 2,797.11	\$ 46.61	\$3,254.50	\$ 3,145.11	\$ (109.39)	\$ 3,304.50	\$ 3,195.11	\$ (109.39)
RUDYARD		\$3,380.00	\$ 3,429.62	\$ 49.62	\$3,634.00	\$ 3,690.62	\$ 56.62	\$4,138.00	\$ 4,038.62	\$ (99.38)	\$ 4,188.00	\$ 4,088.62	\$ (99.38)
SAVAGE*													
SCOBAY*													
SHELBY		\$3,166.00	\$ 3,212.90	\$ 46.90	\$3,602.00	\$ 3,655.90	\$ 53.90	\$4,106.00	\$ 4,003.90	\$ (102.10)	\$ 4,156.00	\$ 4,053.90	\$ (102.10)
SIDNEY					\$ 4,574.50	\$ 4,645.05	\$ 70.55	\$5,078.50	\$ 4,994.05	\$ (84.45)	\$ 5,128.50	\$ 5,044.05	\$ (84.45)
SILVER BOW (UP)								\$4,058.79	\$ 4,087.98	\$ 29.19	\$ 4,058.79	\$ 4,087.98	\$ 29.19
STANFORD								\$4,248.00	\$ 4,153.62	\$ (94.38)	\$ 4,298.00	\$ 4,203.62	\$ (94.38)
STANLEY					\$ 3,230.50	\$ 3,286.55	\$ 56.05	\$3,734.50	\$ 3,635.55	\$ (98.95)	\$ 3,784.50	\$ 3,685.55	\$ (98.95)
SUNBURST*													
SWEET GRASS					\$ 3,700.50	\$ 3,755.87	\$ 55.37	\$4,204.50	\$ 4,104.87	\$ (99.63)	\$ 4,254.50	\$ 4,154.87	\$ (99.63)
THREE FORKS					\$ 3,256.50	\$ 3,313.07	\$ 56.57	\$3,760.50	\$ 3,662.07	\$ (98.43)	\$ 3,810.50	\$ 3,712.07	\$ (98.43)
TIBER					\$ 3,699.50	\$ 3,754.87	\$ 55.37	\$4,203.50	\$ 4,103.87	\$ (99.63)	\$ 4,253.50	\$ 4,153.87	\$ (99.63)
TOSTON					\$ 3,214.00	\$ 3,269.02	\$ 55.02	\$3,718.00	\$ 3,618.02	\$ (99.98)	\$ 3,768.00	\$ 3,668.02	\$ (99.98)
TOWNSEND					\$ 3,197.50	\$ 3,252.49	\$ 54.99	\$3,701.50	\$ 3,601.49	\$ (100.01)	\$ 3,751.50	\$ 3,651.49	\$ (100.01)
VALIER					\$ 3,624.50	\$ 3,680.25	\$ 55.75	\$4,128.50	\$ 4,028.25	\$ (100.25)	\$ 4,178.50	\$ 4,078.25	\$ (100.25)
WEEKSVILLE					\$ 2,721.00	\$ 2,764.54	\$ 43.54	\$3,225.00	\$ 3,113.54	\$ (111.46)	\$ 3,275.00	\$ 3,163.54	\$ (111.46)
WOLF POINT					\$ 4,304.00	\$ 4,370.44	\$ 66.44	\$4,808.00	\$ 4,718.44	\$ (89.56)	\$ 4,858.00	\$ 4,768.44	\$ (89.56)